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SUBJECT: CITIBANK RECOVERS ITS USD 7 MILLION TRANSACTION

REF: KHARTOUM 1072

1. (SBU) SUMMARY: On September 30, the Government of Southern Sudan (GoSS) returned to Citibank the USD 7 million dollars of funds it had impounded on September 9. The shipment had been intended to pay salaries for United Nations - African Union Mission in Darfur (UNAMID) peacekeepers (reftel). Through the active engagement of Special Envoy (SE) for Sudan General Scott Gration, Charge d'Affaires (CDA) Whitehead and S/CRS Active Response Corps detailee Ged Smith, the funds were returned on the eve of the arrival of a Citibank team to Juba. This allowed the latter to re-direct its focus from cash recovery to demonstrating Citibank's long-term commitment to doing business in Southern Sudan. The GoSS responded positively to Citibank's initiative and raised several possible business opportunities for the bank's consideration. If these initiatives are successful, Citibank could be positioned to become the primary international bank for Southern Sudan, providing financial services to its government, the United Mission in Sudan (UNMIS), NGOs, and the private sector. End summary.

HAPPY ENDING TO A COMMERCIAL TRANSACTION GONE AWRY

12. (SBU) On September 9, Citibank, as agent bank for UNAMID, shipped USD 7 million in cash out of Nairobi, Kenya, to pay the salaries of UN peacekeepers in several Darfur locations. When the pilot made an unscheduled stop to re-fuel in Wau, Southern Sudan, agents from Southern Sudan's Ministry of Internal Affairs (MoIA) arrested the flight crew and seized the USD 7 million - alleging possible involvement in illicit arms procurement. Strenuous protests by UNMIS and Citibank resulted in the release of the plane and flight crew within a few days; but the cash was impounded by GoSS officials in the vaults of the Bank of Southern Sudan (BoSS).

13. (SBU) The Office of the Special Envoy for Sudan (S/USSES), the U.S. Embassy and Citibank began a vigorous campaign to get the GoSS to release the funds. CDA Whitehead raised the issue directly with the GoSS Minister of Finance Deng and GoSS Vice President Machar. Ged Smith, the Treasury Department's S/CRS - Active Corps representative in Juba represented the US Consulate at meetings with BoSS and GoSS officials. The CDA and Smith made it clear that Citibank was one of the few international banks that had shown an interest in doing business in Southern Sudan. The GoSS's delay in returning the money would have negative repercussions not only for Citibank's willingness to work in Southern Sudan but also that of other international corporations. Smith pointed out in his meetings that Citibank had met all regulations for importing the funds into Sudan through filing documents with the Central Bank of Sudan (CBoS) in Khartoum. It had been only the unscheduled landing in Wau that had arguably been an infraction of Southern Sudan's cash importation rules.

14. (SBU) S/USSES, working with OFAC, drafted a letter from SE

Gratation to GoSS President Salva Kiir stating that no U.S. sanctions regulations had been broken by the transfer. Consulate Juba delivered this letter to President Kiir's office. A second letter signed by Treasury Advisor Smith was given by the CDA to Finance Minister Deng. As a result, on September 30 the money was released via an electronic transfer from BoSS to Citibank in Nairobi.

VISIT OF THE CITIBANK TEAM PROCEEDS

15. (SBU) Despite resolution of the commercial transfer issue, Citibank decided it was still important to send a senior-level delegation to Juba. The latter was led by Kevin Fitzgerald, Washington-based Managing Director for North America Public Service Sector and regional Citibank officials from Nairobi and Johannesburg. Acting CDA Mark Asquino and Consul General Ava Rogers accompanied Fitzgerald and his team to meetings with BoSS and GoSS. During the meetings, Fitzgerald underscored that Citibank wanted to avoid transaction problems in the future, and that it was interested in exploring the eventual provision of comprehensive banking services in Southern Sudan. During the team's initial meeting with BoSS, some of the latter's officials complained that Citibank had "failed" to open a branch in Juba, and instead was working through Kenya Commercial Bank for the time being. However, during a follow up meeting, the BoSS director of Banking Operations and Foreign Exchange asked that Citibank provide BoSS with USD cash deliveries. As the two sides discussed BoSS cash delivery needs, it became clear the latter were similar to those of the UN. On this basis, Citibank asked if BoSS would object to its combining the UN and BoSS shipments, as there would be a savings of having both shipments flown into Juba on the same airplane. BoSS responded that this was

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a good idea, especially if logistics costs would be reduced.

16. (SBU) Accompanied by CG Rogers, the Citibank team's final meeting was with Luka Biong Deng, GoSS Minister of Presidential Affairs. The Minister said that despite the recent transaction problem, GoSS still viewed Citibank as having the potential to become Southern Sudan's primary international bank. He added that there was not only the prospect of BoSS business, but also additional opportunities for Citibank to work with Multi-Donor Trust Funds (MDTF) and other funding vehicles that would be needed if Southern Sudan became independent.

17. (SBU) Comment: Citibank's willingness to engage with the BoSS and GoSS after resolution of the seizure of the 7 million dollar shipment bodes well for the bank having a future role in Southern Sudan. The GoSS's positive response to Citibank's initiative could result in Citibank emerging as the primary international bank for Southern Sudan.

WHITEHEAD